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COMMONWEALTH OF VIRGINIA

STATE CORPORATION COMMISSION

AT RICHMOND, FEBRUARY 29, 2000

COMMONWEALTH OF VIRGINIA

At the relation of the

STATE CORPORATION COMMISSION

v.

CASE NO. INS990089

SAI MED HEALTH PLAN, L.L.C.,

Defendant

FINAL ORDER

WHEREAS, SAI MED Health Plan, L.L.C. ("SAI MED") is administering the SAI MED Health Plan Multiple Employer Health and Welfare Benefit Plan (the "Benefit Plan"), which is currently operating in the Commonwealth of Virginia;

WHEREAS, the Benefit Plan, a Maryland-domiciled multiple employer welfare arrangement not licensed by the Commission to transact the business of insurance in the Commonwealth of Virginia, provides health benefits, including inpatient hospital benefits, surgery, emergency care, and other health benefits typically provided by insurance companies;

WHEREAS, Title 38.2 of the Code of Virginia, entitled "Insurance," was adopted to protect the public by ensuring that only properly capitalized and reserved companies offer insurance and that only policies which meet each requirement of Virginia

law are offered for sale, and the public justifiably expects the Virginia Commissioner of Insurance to ensure that only insurance companies that comply with Virginia law be permitted to conduct insurance business;

WHEREAS, by consent order entered herein March 12, 1999, SAI MED was ordered not to accept any new participants in the Benefit Plan who are residents of the Commonwealth of Virginia;

Whereas, SAI MED enrolled Virginia employer groups in the Benefit Plan during 1998 and 1999, and subsequent to the entry of the March 12, 1999, Consent Order;

WHEREAS, it is the position of the Bureau of Insurance that the Benefit Plan is in violation of Virginia law and therefore must cease and desist all unlicensed insurance operations in Virginia and as such that SAI MED must cease its administration of the Benefit Plan;

WHEREAS, SAI MED and the Benefit Plan have expressed a desire to cooperate and reduce any adverse effect which the cessation of the Benefit Plan and SAI MED's administration thereof may cause to participating Virginia employer groups so that this matter may proceed in an efficient and amicable fashion; and

WHEREAS, in an effort to facilitate the cessation of SAI MED's administration of the Benefit Plan, SAI MED and the Bureau

of Insurance have agreed that the following resolution is reasonable and that the public interest is served thereby.

THEREFORE, IT IS ORDERED THAT:

1. In order to comply with the cessation of business as a multiple employer welfare arrangement demanded by the Commissioner of Insurance and to provide participants with an adequate opportunity to seek alternative health coverage arrangements from other providers or through conversion to single self-funded health benefit plans administered by SAI MED, SAI MED shall commence the orderly termination of all Virginia employers (hereinafter "participants") from participation in the Benefit Plan, as follows:

(a) The Benefit Plan, by March 3, 2000, shall provide to all participants a copy of this Order together with written notification approved by the Bureau of Insurance that their participation in the Benefit Plan shall terminate in accordance with this Order.

(b) SAI MED, by March 20, 2000, shall provide to all participants in the Benefit Plan in the Commonwealth of Virginia written notification approved by the Bureau of Insurance that SAI MED shall operate only as a Third Party Administrator in the administration of single employer self-funded health and welfare benefit plans in the Commonwealth of Virginia.

(c) SAI MED shall include in all of its advertisements, forms, applications, and plan documents as well as all correspondence sent to Virginia participants or beneficiaries information that clearly indicates that such single employer plans are not insurance, and that SAI MED operates only as a Third Party Administrator of any such single employer plan.

(d) SAI MED shall continue to service and/or administer any and all existing plans, policies, or arrangements associated with the Benefit Plan until the date of termination of the Benefit Plan.

(e) Until the date of termination of the Benefit Plan, all claims incurred, whether or not submitted prior to cessation of the Benefit Plan by participants or beneficiaries of the Benefit Plan, shall be paid, adjusted, and/or resolved in accordance with the plan, benefits, rules, and the specific eligibility dates applicable to said employer groups and plan participants. SAI MED is not responsible, and shall not pay any claim incurred prior to, or after, the specific respective eligibility dates of groups or individuals.

(f) The Benefit Plan shall terminate at the close of business on May 31, 2000. However, it is understood that all efforts shall be made by SAI MED to terminate all Commonwealth of Virginia business attributed to the Benefit Plan by April 30,

2000, in order to provide for the orderly submission and processing of participant claims. No contributions made thereafter by participants shall be accepted by SAI MED, nor shall any claims incurred thereafter be paid. Provided however, that in the event that any term and/or condition of the applicable plans, policies, or arrangements associated with the Benefit Plan requires a longer period to notify participants of plan termination or requires SAI MED to administer or service said plan, policy, or arrangement after the cessation of participation, SAI MED shall provide written notification thereof to the Bureau of Insurance no later than March 3, 2000, and said term or condition shall supersede Paragraph 1(d) of this Order.

(g) All claims incurred under the Benefit Plan prior to the termination date of the Benefit Plan shall be submitted on or before July 31, 2000. The Benefit Plan shall complete the payment of all such claims no later than September 10, 2000. The Benefit Plan shall file an Affidavit with the Commission no later than September 30, 2000, confirming that all claims under the Benefit Plan have been paid, the Benefit Plan's business has been terminated, and the Benefit Plan is no longer operating as a multiple employer welfare arrangement in the Commonwealth of Virginia.

(h) The Benefit Plan shall provide proof of creditable coverage to all Benefit Plan participants as required by law and otherwise shall comply with all state and federal laws applicable to cessation of plan participants.

2. It is understood and agreed that SAI MED's severance of participants from the Benefit Plan comes at the insistence of the Commissioner of Insurance and is not as a result of SAI MED's desire to discontinue the operation and administration of the Benefit Plan.

3. All time frames set forth in this Order may be amended or modified by the written agreement of the Bureau of Insurance and SAI MED or the Benefit Plan, as appropriate, or by order of the Commission.

4. SAI MED waives all rights to a hearing on or judicial review of the matters set forth herein.

5. Nothing in this Order shall prohibit SAI MED from operating as a Third Party Administrator in the administration of single employer self-funded health and welfare benefit plans in the Commonwealth of Virginia.

6. This Order is a Final Order, and it supersedes in its entirety the Consent Order entered herein March 12, 1999.